

Care Services for the Elderly: Social and economic impact of transfer

The relationship between the Privatisation of Care Services for Older People, Institutional Racism and Sexism in Birmingham City Council Social Services Directorate, and 'Best Value', 2000 – 2004/05

Report commissioned by Residents Action Group for the Elderly
(R.A.G.E.) and Birmingham UNISON
for residents, families and staff working in 30 public residential homes and the
wider community in Birmingham

July 2001

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“The action plan introduced by Elderly Resources will have a profound impact on terms and conditions of employment. The negative impact will be most experienced by employees from the black and minority communities and women employees. This consequence has to be recognised and accepted.

If there is going to be a future of residential homes owned by the local authority (in-house or externalised) the Elderly Resources action plan will have to be delivered upon”

(Development of Services for Older People,
Report of Director of Social Services, Appendix D pg. 8
Birmingham City Council, 21st July 2000, Exempt Document).

“The key foundation has to be competent and caring staff who are dedicated to their role and rewarded for being so with this reflected in favourable in pay and working conditions”
(Family member, RAGE Survey, October 2000).

“ I am concerned about the failure to properly regulate private homes and believe that staff in the public sector are likely to receive better training and enjoy better conditions. This leads to a stable and experienced workforce, rather than constant turnover of staff”
(Family member, RAGE Survey, October 2000).

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The Centre for Public Services is an independent, non-profit organisation. It is committed to the provision of good quality public services by democratically accountable public bodies implementing best practice management, employment and equal opportunities policies. The Centre was established in 1973 and operates from a base in Sheffield. It has unrivalled experience of working with local authorities, other public bodies including the Improvement and Development Agency and the Equal Opportunities Commission, trade unions and community organisations and specialises in research, strategy, planning and training.

Contents

	Page
Introduction by Residents Action Group for the Elderly	4
Briefing	4
Executive Summary	6
1. Introduction	10
2. Methodology	11
3. The council's approach	13
4. Planned cuts in pay and conditions of employment	16
5. Equity and equality implications	17
6. Survey findings	19
7. Social and economic impact of transfer	26
8. Financial proposals	32
9. Future quality of care	35
10. Recommendations	37
Appendices	38
References	42

Introduction by the Residents Action Group for the Elderly

Background to the Research

On 4 July 2000, the full Birmingham Council meeting voted 62 – 26 to stop the 'disposal' (the phrase used by the Chair of Social Services, Councillor Suzanna McCorry), of five elderly persons homes managed by the local authority. This followed a large community campaign headed by R.A.G.E. with support from the Birmingham and Regional Offices of UNISON, the Public Sector trade union, and a large number of Pensioner and community organisations.

On 21 July 2000, the Social Services and Health Advisory Team considered in private sitting a document commissioned at public expense a report from Consultant's, Deloitte Touche. The report formed the basis of policy to be developed in respect of publicly owned and accountable residential care for the elderly in Birmingham. The paper was discussed in private sitting. It was kept from the public domain by an exclusion order. The headline paragraph above was taken from the document.

Since then, R.A.G.E. and UNISON have campaigned against the Council. Both organisations will not condone planned racist and sexist institutional policies. R.A.G.E. and UNISON are committed to decent, well-funded and accountable public services. They are both committed to quality public care and services.

This report is the final part of the research that commenced with 'Future Options' (Centre for Public Services, 2000) and 'Alternative Option' (Centre for Public Services, 2000). It is commissioned by R.A.G.E. and UNISON for the staff in the homes that provide the quality care for elderly and vulnerable residents. It is also written for the wider Birmingham communities that want a democratic local authority that respects cultural and ethnic diversity. It provides much evidence on the implications of the transfer of the service; implications that elected members and Senior Officials **know** will result in discrimination in employment for staff on the basis of their ethnicity and their gender.

We hope that citizens advocating social justice and equality will support our recommendations at the end of the report. We hope that all will support our stance and actions against the "**collective failure of an organisation**" that seeks to openly discriminate against a group of key workers, a group that already faces discrimination in work and employment. The implications for our families and relatives in the 30 homes can only too easily be derived from what the Council are proposing.

In sum, R.A.G.E. will not accept the policy of transfer proposed by the Council. This report forms the final stage of our initial campaign strategy, outside of legal action under the Human Rights Act.

We anticipate, like ourselves, that you find the evidence a shocking indictment of political and institutional power and a complete abrogation of moral and humane responsibility. *We trust that you will find the commitment to hold our elected members and senior local government officers to full account, both now, and at the next Local Government elections in 2002.*"

R.A.G.E. (Birmingham), July 2001

Briefing

- Birmingham City Council's strategy to privatise its residential care services puts 1,400 staff at risk. This will directly impact on the quality of care for the elderly and vulnerable across the city.
- Repeated moves by the council to transfer responsibility for residential care out of local authority control are directly against the wishes of service users, local communities and staff.
- Social Services managers plan to reduce fee levels for residential care places in Birmingham from £463 a week to £313 a week by 2004/5, cutting the budget by £7.5m a year.

Care staff represent around 80% of costs; the wage bill would be expected to drop by at least £5.86m per annum if fee levels are cut.

Reductions in unit costs alone would result in a pay cut across the board of 32% by 2004. Individual care workers earning £10,000 a year could see their income reduced by £3,200 a year. This would bring the hourly rate for care workers from around £5.50 down to the statutory minimum wage level.

- The council has almost monopoly control of the residential care sector and is using its position to economically manage a drastic reduction in unit costs and therefore in the quality of care.
- The council has embarked on an impossible mission. It will be unable to cut costs to the degree expected, achieve Best Value and maintain terms and conditions of employment for staff.
- Care staff employed by Birmingham City Council are highly valued by residents and families. Their loyalty and commitment, their skills and experience are crucial to service provision. Continuity of care and staff training were highlighted as key to a best value service. The council is seeking to reduce even further the financial value attached to their work.
- This research predicts that the proposed transfer of residential care services to a trust will result in the restructuring of staffing levels with a 20% job reduction (280 jobs) savings about £2.8m a year. 1,120 jobs would be transferred to a trust or independent contractor. Remaining staff would suffer a reduction in wages of up to £2,000 per annum and new staff would be recruited on reduced terms and conditions.
- The impact of transfer will fall on some of the lowest paid staff working for the City Council. This will result in increasing labour market inequality and polarisation within the city. The standards set by the council's own employment practices will be lost.
- The City Council has already been accused of institutional racism by the Stephen Lawrence Inquiry Commission. Privatisation of care services would magnify this problem. Social services provides specialist care to elderly black and ethnic minority people and 36% of its residential care staff are from the black and ethnic minority community.
- An analysis of the gender impact of job losses reveals a 87:13 male/female division (Birmingham City Council data) with women suffering 238 jobs losses compared to 42 for men. A very high proportion of the jobs are part-time.
- Birmingham City Council's Best Value Performance Plan for 2001 states key aims to be a healthy, caring and inclusive city and to inform and involve people. These two objectives will be contradicted by the moves to privatise residential care homes in the city.
- The council's argument that the consultation process identified maximisation of new capital investment, continuity of care services and accountability as priorities is wrong - the RAGE consultation showed that staffing was the key priority.

Executive Summary

Valuing care staff results in high quality services

Birmingham City Council's strategy to privatise residential care services puts 1,400 staff at risk. This will directly impact on the quality of residential care across the city. Repeated moves by the council to transfer responsibility for residential care out of local authority control are directly against the wishes of service users, local communities and staff.

Kings Fund Inquiry

The plan for care services also disregards the findings of the Kings Fund Inquiry "Future Imperfect" (2001). This highlighted an impending crisis in the care sector and made a series of strong recommendations to recognise the crucial importance of care staff to future service provision.

Key aim to reduce staffing costs

Social Services managers plan to reduce fee levels for residential care places in Birmingham from £463 a week to £313 a week by 2004/5 (Developing Services for Older People, Best Value Service Improvement Plan, 14th March 2001), cutting the budget by £7.5m a year. Based on these reductions and given that staff represent around 80% of costs (based on the council's own figures), the wage bill would be expected to drop by at least £5.86m per annum.

Pay cuts and reduced terms and conditions

If all 1,400 staff remain employed, the reduced unit cost alone would result in a cut in the wages bill of 32% across all grades by 2004. This could only be achieved by shedding jobs, cutting hourly pay by about 20% and ending shift allowances for anti-social hours and weekend working. Individual care workers earning £5.50 an hour, working a 35 hour week with an annual income of £10,000 would see the value of their earnings cut by over £3,200 per annum. This does not take into account the effect of inflation.

Job losses

It is likely that one element of the cost reduction would be achieved through job loss. This research predicts that the proposed transfer of residential care services to a trust will result in the restructuring of staffing levels with a 20% job reduction (280 jobs) savings equating to £2.8m a year. 1,120 jobs would be transferred to a trust or independent contractor. Remaining staff would suffer a reduction in wages of up to £2,000 per annum and new staff would be recruited on reduced terms and conditions. It would represent a major set back for the employment gains of women which have taken many years to achieve.

Labour market polarisation

The impact of transfer will fall on some of the lowest paid staff working for the City Council. This will result in increasing labour market inequality and polarisation within the city. The standards set by the council's own employment practices will be lost.

Transfer of services out of city council control and the associated reduction in unit costs will immediately affect the most deprived wards of the city. For example, 32 staff work in Annie Wood House located in Aston Ward which has the highest level of multiple deprivation in Birmingham. 90% of the staff are female and 86% are from the black and ethnic minority community and most live locally.

Assuming that the number of staff remains the same and the annual wages bill reduces by 32%, the result would be 32 staff earning an average £3,200 less per annum. This could result in a loss of income to the ward of around £102,400 per annum, having a substantial knock on effect on the local economy.

Casualisation

In spite of low pay, the staff survey undertaken (Part 6) shows that the city council currently employs a stable, committed and well trained workforce. Transfer and cost cutting would result in rapid casualisation and a transient care staff with high turnover, less experience and less training. A recruitment crisis could also result.

Institutional racism

The City Council has already been accused of institutional racism by the Stephen Lawrence Inquiry Commission. Privatisation of care services would magnify this problem. Social services provides specialist care to elderly black and ethnic minority people and 36% of its residential care staff are from the black and ethnic minority community.

If the council goes ahead with its planned transfer of residential care services to a trust and unit cost reductions, then it could justifiably be accused of continuing with discriminatory policies, both in the treatment of its ethnic minority staff who are represented across all grades and of elderly residents receiving specialist services. This is a policy decision fully accepted by the Council on 21 July 2000.

Gender impact

An analysis of the gender impact of job losses reveals a 87:13 male/female division (Birmingham City Council data) with women suffering 238 jobs losses compared to 42 for men. A very high proportion of the jobs are part-time. This is very similar to the employment impact of CCT in manual services which included a large proportion of female part-time jobs. The more likely outcome from transfer is that existing and new part-time staff will suffer major reductions in pay and conditions of employment.

Limited protection

The vast bulk of staff in publicly provided residential care are care assistants earning between £5-6 an hour, at least £1 an hour more than the private sector. New staff are not covered by TUPE (Transfer of Undertakings legislation). We estimate that 50% of the 1,120 remaining staff will suffer reduced terms and conditions in the first five years of a new contract. The number will grow annually as a result of labour turnover.

The gender structure of those affected by reduced pay and conditions is predicted to be a ratio of 90:10 female/male division as the bulk of the changes in terms and conditions will fall on female care assistants and domestics earning £5-6 an hour. These staff will be expected to accept a 20% reduction in pay as well as reduced shift allowances, fewer holidays, new sick pay arrangements and a diminished pension.

Additional jobs lost in the local economy

The loss of 280 city council jobs along with the loss of pay for many of the remaining staff will have a knock-on effect on jobs in the local economy, particularly in private services, because of reduced spending power. For individual staff, it will be hard to quantify the huge impact the cuts will have on them and their families. They will individually experience hardship in different ways.

We estimate that the loss of 280 council jobs will lead to the loss of an additional 42 jobs in the local economy. This is based on a multiplier of 1:15 which reflects the high level of part-time jobs (EOC, 1995). Reduced pay and conditions for new staff employed on outsourced work also impacts on the local economy. An estimated 32% reduction in income for many of the remaining staff will result in further job losses in the local economy. For every 6.5 local authority part-time jobs lost there will be an additional job lost in the local economy.

Impact on local labour market

Transfer will have a wider impact by reducing training opportunities, reducing job opportunities, eroding the city council's role in setting quality employment standards (particularly in equalities and health and safety) and increasing casualisation. Casualisation would mean high turnover of staff, temporary contracts and agency workers resulting in less continuity of care and employment of less experienced staff.

Contradictory policies conflict with corporate priorities

The proposals to transfer residential care staff to a trust combined with a reduction in care costs directly contradict the council's own economic and equalities strategies for the city.

An assessment of the city council's policies and priorities with findings of this report highlights the conflict in pursuing a transfer policy which will have a negative effect on many corporate policies.

Limiting economic growth

If transfer of public care services proceeds in Birmingham, a substantial part of the council's Economic Strategy job targets will merely be replacing public sector job losses thus reducing economic growth.

Community well-being

The adoption of the transfer policy will undermine Birmingham's strategy for social, economic and environmental well-being. The community strategy will be required to combat the negative affect of city council policies, let alone make a contribution to reducing poverty in the city.

Best Value

Birmingham City Council's Best Value Performance Plan for 2001 states key aims to be a healthy, caring and inclusive city and to inform and involve people. These two objectives will be contradicted by the moves to privatise residential care homes in the city.

Ignoring community consultation

The council's argument that the consultation process identified maximisation of new capital investment, continuity of care services and accountability as priorities is wrong. The RAGE consultation showed that staffing was the key priority alongside maintaining the 30 homes in the public sector. This was clearly shown by the report on the Alternative Option (November 2000).

User, families and community survey

The survey of users, families and local community organisations provided conclusive evidence of the views of families, residents and the local community. As well as almost unanimous opposition to the City Council transfer proposals the survey identified the key importance of staff to a high quality service.

* **Quality of care:** 87% of respondents felt that the quality of care would be adversely affected if any one of the councils five proposed options was pursued.

* **Staff are the key to quality of care:** The survey clearly showed that the five elements related to staffing were considered to be of much greater priority than improvements in facilities and premises in the provision of a high quality service. Continuity of care from staff that residents know (93%), decent pay and conditions for staff (92%), trained staff (85%) and experienced staff (77%) were overwhelmingly considered to be of greater importance than better premises which only featured in 17% of the returns.

Staff survey

* **Preferred option to be taken forward by the council:** 79% of staff surveyed wish the council to pursue an in-house option under Best Value which is developed by residents, staff and the community. Almost 15% would like to see an option explored which comprises a mixed package of care including some homes retained by the council and others transferred.

* **Needs of the elderly:** 91% of respondents considered that the needs of the elderly had not been taken into account by the City Council in developing proposals for the future of care services in Birmingham.

* **Quality of care:** 87% of respondents felt that the quality of care would be adversely affected if one of the council's five proposed options was pursued.

* **Elements of a high quality service:** The five elements related to staffing were considered to be of greater priority than improvements in facilities in the provision of a high quality service.

Recommendations

RAGE recommends that the city council:

- Urgently reassess the scale and scope of the current proposals for the transfer of 30 residential care homes to an independent trust in the light of the findings of this report, the Race Relations (Amendment) Act 2000, the findings of the Stephen Lawrence Inquiry Commission and the council's own strategic aims, economic policy, community strategy and valuing diversity principles.
- Reaffirms the importance of in-house provision of public services to the quality of care, service users, equalities legislation, regeneration strategies and the local economy.
- Includes social and economic factors in the evaluation criteria for assessing all bids from external organisations for care services provision.
- Develops methods for ensuring that existing providers engage staff on the same terms and conditions of service as city council staff.

1. Introduction

Birmingham City Council is ploughing ahead with plans to privatise residential care directly against the views of families, residents and staff. The procurement exercise is planned to take place over the next year. It is due to be completed by July 2002.

Report aims

The key purpose of this report is to document the findings of research conducted by the Centre for Public Services for RAGE during October/November 2000 on the social and economic implications of transfer to the independent sector and the proposed reduction in fee levels for residents. It includes detailed analysis of the workforce information and wider social and economic impact.

RAGE commissioned the audit from the Centre for Public Services in order to identify the impact on jobs and the community.

The context for the work is a critique of Birmingham Social Services Department's interpretation of Best Value which places a high value on financial comparisons and cost reductions and little value on the quality of service provided and the high standards expected by service users and their families over the next decade. The contradiction that the research highlights is that the Council has a monopoly of price/fee controls throughout the 4,000 residential care beds in Birmingham (3,000 'private', 1,000 public). In other words, the comparison is 'rigged' from the start, as the private sector receives 80% of its fees from the taxpayer through the Council. This means in practice that the Council sets an artificially low fee for the private home sector allowing it to push down its own care home costs.

This report should be read alongside the detailed research report on options written by the Centre for Public Services for RAGE and Birmingham UNISON in June 2000 and the Alternative option: Care Services for the Elderly commissioned by UNISON for the Residents Action Group for the Elderly (RAGE), care staff and community organisations in Birmingham.

Objectives

1. To identify the planned transfer proposal and to assess the social and economic impact on the community, local economy and labour market.
2. To identify the key social and economic factors for Birmingham's care services.
3. To assess the city council's corporate policies and the findings of the research to identify policy conflicts.

Current service

The City Council currently provides over 900 residential care places in 32 homes, home care to 7,457 elderly people living in their own homes and day care to 1,249 elderly people. The options of transfer to a trust proposed by the council, which originated from a report by consultants Deloitte Touche, would have major implications for these key services in the city.

2. Methodology

The research on the social and economic impact of the proposed transfer was carried out as follows:

- analysis of staff questionnaires, including employment data.
- assessment of the employment implications of the transfer option and unit cost reductions.
- collection of social and economic data and profile of local economy
- assessment of social impact
- identify impact within particular areas of Birmingham and the city as a whole
- identification of community well-being and issues raised by community organisations

The data on which the employment impact has been calculated have been based on the following:

Employment data: Existing employment levels and analysis of survey returns.

Job losses: Levels of job loss and changes to terms and conditions were based on experience of outsourcing and privatisation in other local authorities together with national studies on competitive tendering, externalisation and transfers published by the Equal Opportunities Commission, the Local Government Information Unit, the Association for Public Service Excellence, UNISON and research by the Centre for Public Services. DETR competitive tendering research studies have also identified similar employment change.

Labour turnover: Labour turnover is known to increase after outsourcing of local government services. In addition, high levels of casualisation in the independent care sector are common. This report therefore assumes a staff turnover rate of 10% per annum, which over five years amounts to 50%. It is important to note that the current staff turnover in care homes is 3-4% per annum and in the independent sector 25%. Attacks on terms and conditions of employment will lead to a much higher turnover among existing council staff and 10% annual turnover is likely to under estimate the actual level.

Changes to pay terms and conditions: The audit uses a 20% rate of change to terms and conditions of service for new staff in the care sector. This is based on the council's proposed reduction in unit costs and the research studies. The report assumes that there will be changes to terms and conditions of half the transferred staff who are remain employed. Evidence suggests that this is a conservative assumption. Evidence suggests that this is a conservative assumption.

Employment multiplier: The impact on the local economy is based on research for social and economic audits with similar policy contexts. A 1:15 multiplier is applied.

The figures used to calculate the level of change veer on under-estimating the potential degree of change and hence the impact on users, staff, the community and the local economy. The analysis focuses on the number of people employed rather than full-time equivalents (FTE).

The analysis includes employment in both the public and private sectors. Changes in employment levels in the public sector have a direct impact on employment in local private services in the local economy.

The analysis is concerned with new employees in addition to existing employees. Virtually all care trusts have a two tier staffing policy with all new staff employed, legally, on lower terms and conditions of employment. Furthermore, the TUPE regulations enable a new employer to restructure jobs after transfer if they can be justified on the grounds of economical, organisational and technical reasons.

New regulations and guidance on workforce matters for procurement under Best Value came into force early in 2001. The Government amended the procurement provisions of Part II of the Local Government Act 1988 so that local authorities can have regard to workforce matters in relation to quality and Best Value. In addition to TUPE, training and development, health and safety, local authorities are able to take into account compliance with equalities legislation and Codes of Practice, as well as equalities service requirements. The changes will strengthen the protection of transferred staff but are unlikely to have a significant impact

for new staff.

The social and economic consequences of lower pay and conditions for new staff will depend on the management policies of the independent sector and staff turnover as well as the economic management of the council's block contracts for care services.

Consequences for evaluation of existing contracts

The findings of the research indicate the importance of developing a comprehensive and rigorous evaluation process for all contracts between the city council and the independent care sector.

Development of social and economic audits

The Centre for Public Services has developed the technique and application of social and economic audits from a number of studies in local government and the NHS. This included the national costs and savings of CCT which were calculated as part of the research for the Equal Opportunities Commission study on the gender impact of CCT in local government (1995). The Centre has further developed the social audit technique in a study for the Department of Health, Social Services and Public Safety in Northern Ireland.

Employee consultation

The Government and Audit Commission recognise that employees are crucial to the management of change in local government. The recent Improvement and Development Agency (January 2001) report on employee and trade union involvement illustrated the strong benefits of staff participation at all levels in local government. This approach must be fully recognised in the continuous improvement programme for residential care services.

3. The council's approach

Birmingham City Council is undertaking a strategy for care services in the city which as well as reducing the quality of services for some of the most vulnerable in the community, is potentially discriminatory. The strategy **directly contradicts** many of the Government's and council's policies, particularly on raising standards, achieving Best Value, valuing diversity and race relations.

The council is planning to spend £1.1m to fund the procurement exercise to privatise the service and transfer over 1,400 staff to the independent sector. This funding will be made available through the sale of assets. This money could equally have been spent on some of the essential improvements identified as necessary for the residential care homes.

The following statement made by the City Council about the employment impact on staff reflects the institutional race and gender discrimination at play among senior managers and highlights the attitudes exposed by the Stephen Lawrence Inquiry. **The report in question was kept from the public domain by an exclusion order under the 1972 Local Government Act.**

"The action plan introduced by Elderly Resources will have a profound impact on terms and conditions of employment. The negative impact will be most experienced by employees from the black and minority communities and women employees. This consequence has to be recognised and accepted" (Report of Director of Social Services, Birmingham City Council, 21st July 2000).

This remains the council's plan of action as set out in the committee papers which present the terms of the transfer (11th July 2001, building on Committee proposals on March 14 2001 and June 22 2001). The following statement included as one of the proposed objectives for transfer is not sustainable, given the research on the impact of transfer on the sector: ***"Maintain and develop the employment opportunities, training and development policies, equality of opportunity etc. available for staff currently"*** (Report of Director of Social Services, 14th March 2001).

This report shows that this aim cannot be achieved through transfer in the care sector.

Birmingham Stephen Lawrence Inquiry Commission, March 2001

A 15 month investigation into racial harassment concluded by accusing the city council of "institutional racism". It stated: ***"Of particular concern is the city council, who should play an important leadership role in driving forward race equality in the city, but whose efforts have been blunted by institutional racism"***.

Race equality policies were said to be failing because of institutional racism, a lack of effective leadership and the absence of a commitment to actively promote race equality or management policy implementation.

Racial tension is clearly a growing problem in many cities, as witnessed by the recent uprisings in Oldham, Burnley and Bradford. Local authorities have a crucial role in acting as models of good practice for other local employers and for the local community. As part of this, Birmingham is planning to set new targets for boosting ethnic minority representation among the council's workforce. **The transfer of 1,400 employees to a care trust with accompanying reductions in pay and conditions of employment would work directly against this target.**

New equalities legislation will impact on all council services

Race Relations Act: The Government is proposing extensive changes to the 1976 Race Relations Act which will strengthen the existing legislation. Of key importance to the city council are that :

- * it extends protection against racial discrimination by public authorities and;
- * places a new, enforceable positive duty on public authorities;

It includes a new duty on public authorities from April 2001 to assess the impact on racial equality of proposed policies and to consult on them.

Consultation: *"talk to your employees and to people affected by your policies and practices, including people from ethnic minorities. Listen to their concerns and pay attention to their perceptions of your organisation's stand on racism and racial equality"*.

Assessment: *"Examine the impact of your policies and practices and ask whether all ethnic groups are being treated fairly."*

Birmingham City Council agreed that an impact assessment exercise should be carried out to identify service areas most at risk from new equalities legislation. This has been carried out by Social Services but is unavailable to the general public for inspection. The CPS staff survey revealed that the vast majority of black and ethnic minority staff were opposed to transfer.

Human Rights Act: See Part 8 of Alternative Option, November 2000.

Article 13: The European Commission's proposals will result in a common legal framework of protection against many forms of discrimination on the grounds of race, religion, disability, age and sexual orientation.

Equal Opportunities Policy: The council has recently decided to renew its commitment to Equality, Diversity and Social Justice (July 2001). The key issues identified are:

- * Increasing the accountability of service providers,
- * Increasing access to services by socially excluded groups.
- * Increasing activities which directly empower communities.
- * Increase employment opportunities for disadvantaged groups.

It goes on to state that ***"The City Council will not discriminate or promote social exclusion where the issue is colour, gender, disability, ethnicity, religion, age or sexual orientation"***. (reference)

The values identified for the delivery of service are:

- * **Equality**
- * **Social justice**
- * **Participation**
- * **Sustainability**
- * **Tolerance and respect and human dignity.**

On employment and training issues the strategy states that ***"The City Council is committed to ensuring that all employees receive equal treatment in relation to recruitment and selection, employment, promotion, re-deployment and redundancy"***.

This reports shows that women and black and ethnic minority staff will suffer disproportionately from the transfer, accompanying redundancies and reductions in terms and conditions of employment.

Duty of well-being

The Local Government Act 2000 places a new duty on local authorities to promote the economic, environmental and social well-being of their area and to prepare a community strategy. This replaces the requirement to produce an economic development strategy. The council should take account of these requirements in the light of the size of the proposed transfer and the impact on the local economy.

Council ignore findings of consultation exercise

The council's argument that the consultation process identified maximisation of new capital investment, continuity of care services and accountability as priorities is wrong - the RAGE consultation showed that staffing was the key priority. This was clearly shown by the report on the Alternative Option (November 2000).

Economic policy and regeneration strategy

Birmingham City Council is working with a range of local organisations to deal with local economic problems and issues of social exclusion. These include:

Birmingham Development Programme : this recognises the problem of disadvantage and proposes strategies to provide opportunities for training, community programmes and achieving greater equality and sustainability in the labour market.

Regeneration schemes: aiming to improve the life of residents in deprived areas through SRB and other Government funding.

New Deal: training and employment opportunities for target groups including young people, long term unemployed.

European Objective 2 funding: Funds to deal with structural and long-term unemployment.

Local labour market inequality will increase through the privatisation of care services on the scale proposed in Birmingham. The city's economy and policies to regenerate the city will also be affected. Existing inequalities will increase in a number of ways as explained in Section 7.

Equalities policies: The city council's policies to promote equal opportunities will be much more difficult once privatisation takes place. Independent sector employers do not support or implement equalities to the same level.

The City Council is aiming to play a crucial role in developing:

- A strategic approach in the development of the city's economy
- Community involvement
- Linking services such as education, health, housing and employment.
- Regeneration and quality of life

The privatisation proposal and the management of major cuts in unit costs undermines the city's regeneration strategies since resources will inevitably be used to moderate the long term impact of transfer.

4. Planned cuts in pay and conditions of employment

The City Council is seeking to reduce fees per resident from the current level in-house service £463 down to £342 and eventually to a target of £313 by 2004/5 for the sector as a whole. This would result in a reduction of £150 per week per resident in a city council home with no account being taken of inflation.

A reduction down to £313 per week on the 965 beds run by the City Council would represent a cut of over £7.5m a year across the service. This would not only have a devastating effect on council staff, but also on all independent care providers and staff working in these care homes.

Reducing fee levels will reduce wages, terms and conditions

Since staff costs comprise over 80% of the costs of care and the level of labour intensity is unlikely to alter, staffing costs would have to be reduced by 32% to meet these targets. This would be achieved by cutting hourly pay and ending shift allowances for anti-social hours. Individual care workers earning £5.50 an hour, working a 35 hour week with an annual income of £10,000 would have a reduction in earnings of £3,200 per annum. This does not take into account the effect of inflation.

Currently staff costs amount to £18.32m per annum for Birmingham's in-house residential care service. **Taking the reduction across the 965 beds the council provides in-house, the wage bill would be expected to drop by at least £5.86m per annum.**

Polarisation of the labour market will increase

The reduction in unit costs will immediately impact on some of the most deprived wards of the city. For example, 32 staff work in Annie Wood House located in Aston Ward which has the highest level of multiple deprivation in Birmingham. 90% of the staff are female and 86% are from the black and ethnic minority community and most live locally.

Assuming that the annual wages bill is reduced by 32%, the overall result would be that 32 staff earning an average £10,000 per annum would each suffer a £3,200 per annum loss of pay. A wages reduction of 32% would result in a loss of income to the local economy of £102,400 per annum and associated losses. Multiplying this across 1400 care and support staff in the 30 homes would result in a loss of at least £4.5m income per annum across the city.

Transfer costs will rise in the short term

On the one hand costs will increase on transfer, and on the other the council is planning through its block contract economic management of the service to reduce costs over the next decade.

This is confirmed by consultant's HACASChapman Hendy (April 2001) who assume that labour costs will be reduced through transfer. They conclude from their financial assessment that the capital investment required to bring the homes up to required standards will have **"a significant impact on the cost of care"**. They also expect that any purchasing agreement will be capable of **achieving a progressive reduction in costs as savings are achieved by the new care provider** over the five to ten years following transfer (HACASChapman Hendy, April 2001).

Meanwhile the council is evidently prepared to fund additional costs to *"mitigate the impact of TUPE staff transfers"*, but in the long term the costs of care will be expected to fall.

5. Equity and equality implications: gender and race

A total of 3,400 staff are employed in Birmingham's care services for the elderly. There are almost 900 staff employed in residential care homes, 2,215 staff employed in home care and a further 275 care staff in Day Centres. In addition, there are 400 staff who provide services such as catering and cleaning who are employed by the Environmental Services department and a number of support staff who will be affected by the transfer of homes.

Of the staff working in residential care homes:

*** 775 (87%) are female**

*** 321(36%) are from ethnic minority groups.**

There are 2,008 female home care staff representing 91% of the total and the vast majority are manual workers. 67% of day centre staff are female.

Cutting costs and privatisation would have a potentially discriminatory effect, particularly amongst low paid women workers and ethnic minority groups.

Table 5.1 shows the gender breakdown by ethnic minority group, clearly illustrating the achievement of the in-house service to recruit staff from a range of ethnic minority communities in Birmingham.

Table 5.1: Gender and ethnic minority breakdown of employees in Birmingham's

Ethnic minority group	Male	Female	Total	% of total
Bangladeshi	1	1	2	0.2
Black Afro-Caribbean	21	183	204	22.8
Chinese	14	1	15	1.7
Indian	6	23	29	3.2
Pakistani	2	15	17	1.9
Other	4	50	54	6.0
White	70	502	572	64.1
Total	118	775	893	100

Source: Birmingham City Council

A transfer out of local authority ownership and control would have a specific impact on ethnic minority staff and especially those from the Black Afro-Caribbean, Indian and Pakistani community. Social Services has built up a workforce which now has a relatively high proportion of staff from different ethnic communities (36%), reflecting the local population (20% across the city) and often meeting the specific needs of elderly people from ethnic minority communities in the city.

The same breakdown is shown by home in appendix 1. This reveals high concentrations of ethnic minority staff at particular elderly people's homes.

We cannot compare city council employment directly with independent sector employment in Birmingham. Whilst the council holds considerable information on the residential care homes, it does not collect details about the workforce in terms of pay, ethnicity and gender. The Local Government Act 1988 prevents local authorities asking such details from contractors, though this is about to be altered under the Fair Employment Provisions of the Local Government Act 2000.

The following table shows the breakdown by grade, gender and ethnic origin. The vast bulk of staff are care workers with an annual salary of under £10,000 for a full-time job. Part-time staff will earn considerably below this level. This represents an hourly rate of £5-£6, which is at least £1 an hour more than private sector rates.

Table 5.2: Residential care workers by grade and gender, Birmingham

Grade	Male	Female	% Male	% Female	% Ethnic Minority	Total
R7	7	19	0.8	2.1	54	26
R6	3	3	0.3	0.3	17	6
R4		1		0.1		1
R3	13	71	1.6	7.9	38	84
G6	13	63	1.5	7	45	76
G5	3	31	0.3	3.5	29	34
G4	60	562	6.7	62.7	36	622
G3	19	2	2.1	0.3	18	22
Scale 2	2	24	0.2	2.7	19	26

Source: Birmingham City Council

Note:

Grade R7 Salary £23,295-26,781

Grade R6 Salary £22,194-25,419

Grade R4 Salary £19,101-22,194

Grade G6 Salary £10,209

Grade G5 Salary £9,897

Grade G4 Salary £9,897

Grade G3 Salary £9,273

Scale 2 Salary £11,439-£11,991

The rate for private sector homes fees is set by the Council as part of their financial control of the sector through its monopoly funding of residential care. In other words, the Council is responsible for suppressing the pay of women across the sector as a whole in the city.

6. Survey findings

Further analysis of the workforce was conducted using information held by the City Council and data collected through the staff survey on gender, ethnic origin, pay rates, hours, length of service, training and private sector experience.

The Centre for Public Services carried out a survey of staff (October/November 2000) primarily working in Birmingham's residential care homes for the elderly. 332 staff responded within a very limited timescale set by the council; their place of work is indicated in appendix 3. Given that around 1,000 staff work in the city's 30 residential care homes and often on shifts this represented a very high response rate.

The findings mirror national trends in the local authority sector and in the care services more generally. They should also be placed in the context of the survey of users, families and local community organisations which provided conclusive evidence of the views of families, residents and the local community. As well as almost unanimous opposition to the City Council transfer proposals the survey identified the key important of staff to a high quality service.

* **Quality of care:** 87% of respondents felt that the quality of care would be adversely affected if any one of the councils five proposed options was pursued.

* **Staff are the key to quality of care:** The survey showed that the five elements related to staffing were of much greater priority than improvements in facilities and premises in the provision of a high quality service. Continuity of care from staff that residents know (93%), decent pay and conditions for staff (92%), trained staff (85%) and experienced staff (77%) were overwhelmingly considered to be of greater importance than better premises which only featured in 17% of the returns.

Table 6.1: **Breakdown by occupation of survey respondents**

Job title	Number	% of total
Care assistant	158	48
Night care assistant	31	9
Senior care assistant	14	4
Domestic	58	18
Kitchen assistant	7	2
Cook	13	4
Catering supervisor	2	0.6
Maintenance	4	1
Seamstress	1	0.5
Clerk	4	1
Day care officer	2	0.6
Supervisor	2	0.6
Assistant manager	21	6
Manager	6	2
Clerical assistant	3	1
Activities organiser	2	0.6
Total	328	

Source: Staff survey by Centre for Public Services, 2000

Job segregation

Table 6.1 shows the breakdown by occupation. Frontline staff form the vast majority of carers working in Birmingham's care homes.

* **61% are care assistants**

- * 17% domestics
- * 6% work as cooks and kitchen assistants.

These figures mirror national studies reflecting the labour intensity of the service

Gender segregation

85% of respondents were female reflecting the gender breakdown in the care sector and the proportion across the rest of the council's care for the elderly workforce. Segregation between female and male dominated jobs results in women forming the bulk of workers across all occupations apart from maintenance, which employs relatively few people.

Ethnic minority employment

The proportion of the survey respondents (24%) from black and ethnic minority workers was lower than that for the services as a whole (36%). However, what is clear from the survey is that the local authority employs a much higher proportion of black and ethnic minority employees and has a much better record than the independent sector. The Fawcett survey of independent care homes found that only 5% of women employees and 8% of male employees were from black and ethnic minority groups and that the bulk of these employees were employed in former local authority care homes and the larger providers. **Over half of the care homes in the survey employed no black and ethnic minority staff** (Fawcett Society, 1997).

Table 6.2: Ethnic minority breakdown of survey respondents

Ethnic minority group	Total	% of total
Black Afro-Caribbean	39	13
Chinese	7	2
Indian	4	1
Pakistani	5	1
Other	12	4
White	215	76
Total	282	

Source: Staff survey by Centre for Public Services, 2000

Length of service

Almost two thirds of all respondents had worked for the city council for over five years and a quarter for sixteen years or over. **This reflects a very stable workforce and a high level of commitment to the work and to working for the public sector.**

Staff retention is high and casualisation is minimal and very low in comparison with the independent care sector. The local authority annual turnover is 3-4% compared with a 25% turnover rate in the independent sector.

Table 6.3: Length of service with Birmingham City Council

Length of service	Total	% of total
0-5 years	122	38
5-10 years	58	18
11-15 years	62	19
16-20 years	45	14
20 plus years	32	10

Total 319

Source: Staff survey by Centre for Public Services, 2000

Cantata of care was highlighted as a key factor in the quality of care in the survey of families.

“ I am concerned about the failure to properly regulate private homes and believe that staff in the public sector are likely to receive better training and enjoy better conditions. This leads to a stable and experienced workforce, rather than constant turnover of staff” (Family member, RAGE Survey, October 2000).

Pay levels

91% of those responding to the survey were paid £6 or less per hour and almost half earned well under £10,000 per annum in total from their work with the city council. Many of those on this rate work full-time to achieve this low level of annual income.

Table 6.4: **Hourly pay rates**

Hourly rate	Total	% of total
Under £5	70	22
£5-£6	214	69
£6-£8	10	3
£8-£10	10	3
£10 plus	3	1
Total	307	

Source: Staff survey by Centre for Public Services, 2000

94 respondents also provided information on their annual salary. 45% earned under £10,000 per annum, 38% between £10-15,000 and 12% between £15-20,000.

Hours

The survey showed that the majority of staff are part-time with only a quarter of employees working full-time hours. 45% work less than 30 hours a week.

Table 6.5: **Weekly hours**

Hours	Total	% of total
0-10	1	0.3
11-15	4	1
16-20	47	15
21-25	34	11
26-30	53	17
31-35	97	31
36 plus	73	24
Total	309	

Source: Staff survey by Centre for Public Services, 2000

Training

Training opportunities with the city council were considered to be good with 90% of staff responding to the survey having had opportunities to participate in training courses.

12% of respondents had NVQ level 1 qualifications
30% NVQ level 2
6% NVQ level 3
2% NVQ level 4

This is in stark contrast to the independent sector who provide few training opportunities. *“For independent providers, the costs of investing in staff training are an important disincentive to providing employees with more than the basic minimum of induction”* (King’s Fund, 2001)

Experience of the private sector

The survey asked respondents whether they had experience of working in the independent care sector. Of 314 respondents a third answered that they had. The majority responded negatively to the question of whether they had been satisfied with their job in the independent sector. Over half had felt that satisfaction was poor or very poor and a quarter considered that satisfaction was moderate. Only a quarter felt that the experience was good or very good.

A selection of the key results of the staff survey assessing the council’s approach are summarised below:

Question 1. Which of these options should be taken forward by the council?

The consultation paper presents five main options for the council’s care homes for older people:

Option 1. Establish a new independent organisation outside the City Council.

Option 2. Transfer to an existing independent organisation outside the City Council.

Option 3. Transfer of homes via sale to private/independent organisation.

Option 4. Use capital raised through transfer for new purpose built homes run independently.

Option 5. Mixed package of care, with some homes retained by the council and others transferred.

There is the possibility of an alternative option:

Option 6. An option developed by residents, staff and the community which develops and improves the existing council service.

Table 6.6: Preferred option to be taken forward by the council

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6	
Number responding	6	3	2	7	50	256	
Percentage	2%	1%	1%	2%	15%	79%	3.4%

Based on 324 returns

79% of staff surveyed wish the council to pursue an in-house option under Best Value which is developed by residents, staff and the community. Almost 15% would like the City Council to explore Option 5 which comprises a mixed package of care including some homes retained by the council and others transferred.

“I think the council should look at their motto for Best Value and look at care provision and not at cost as they have a false sense of value. How can you put a price on a smile, which is real value for money. Private options may be cheaper but in the long term will they survive the competition and only meet basic

care requirements?”(Assistant Manager)

“These people are in their last days and deserve and need the quality of care - they have given their lives in many ways, so don’t take theirs away. Human rights are something you cannot buy” (Kitchen Assistant, Victor Yates).

Question 2. Do you think that the needs of the elderly have been taken into account in the council’s proposals?

Table 6.7: Needs of the elderly taken into account

	Strongly agree	Agree	Disagree	Strongly disagree
Number responding	8	19	55	235
Percentage	3%	6%	17%	74%

Based on 317 returns

91% of respondents considered that the needs of the elderly had not been taken into account by the City Council in developing proposals for the future of care services in Birmingham.

“These people are human beings - let them enjoy their last years with dignity and happiness” (Domestic, West Heath House).

“Social services have a moral obligation to provide decent care and accomodation to the old of Birmingham. You cannot put a price tag on people’s needs, but the private sector will do this by cutting costs. The vulnerable deserve better than this” (Night Care Assistant, Guestholme).

“Elderly people do not cope with change - moving premises, staff changing, new faces - they like to feel safe and well cared for and treated by staff they know” (Night Care Assistant, Heathway).

Question 3. Do you think the proposals contained in the Consultation Document will adversely affect quality of care?

Table 6.8: Quality of care will be adversely affected by council proposals

	Strongly agree	Agree	Disagree	Strongly disagree
Number responding	210	67	18	25
Percentage	66%	21%	6%	8%

Based on 320 returns

87% of respondents felt that the quality of care would be adversely affected if one of the councils five proposed options was pursued.

“In my past experience moving of clients to other homes has led to large numbers of clients passing away either in the follow up to the move or shortly after.” (Care Assistant, George Canning House).

“The frail elderly people of Birmingham have earned the right to be able to choose good quality care. The transfer or sale of local authority homes will remove or limit their choice” (Night Care Assistant, Bushmere House).

“These residents have paid their dues and should not have to go through this and it should never have got this far”.(Night Care Assistant, Bushmere House)

Question 4. What do you consider to be the five most important elements of a high quality service for the elderly in your community?

Survey respondents were asked to identify the five most important elements of a high quality service out of a list of eight.

Table 6.9: **Five most important elements of a high quality service**

Ranking	Number responding	%of total returns
1. Decent pay and conditions for staff	240	80%
2. High staffing levels	232	77%
3. Continuity of care from staff residents know	232	77%
4. Trained staff	221	74%
5. Experienced staff	213	71%
6. Improved facilities	148	49%
7. Range of activities for residents in the home	130	43%
8. Better premises	44	15%

Based on 300 returns

The five elements related to staffing were considered to be of greater priority than improvements in facilities in the provision of a high quality service. Decent pay and conditions for staff (80%), high staffing levels (77%), continuity of care from residents staff know (77%) and trained staff (74%) were considered to be of far greater importance than better premises which featured in only 15% of the returns.

“Plenty of tender loving care, common sense, observation and keeping families informed” (Care Assistant).

The geography of the impact of transfer

Since the City Council is not prepared to release a full listing of the addresses of residential care staff we cannot conduct a full appraisal of the geographical impact of transfer. However, we have information on postcodes from the staff survey and can link the potential impact by workplace, since the majority of part-time care staff live close to the residential care home in which they work.

The following table highlights the ten most deprived wards in the city and lists the care homes located within these wards.

Indices of deprivation

Table 6.10: **Multiple Deprivation: Ten most deprived wards in Birmingham**

Ward	Ward score	Birmingham ranking	National ranking	Care home	Day centre
Aston	75.96	1	27	Annie Wood	Annie Wood
Sparkbrook	75.15	2	33	Clifton House	Magnolia House Shakti Asian Elders
Small Heath	67.95	3	114	Grange Road	Baker Street
Nechells	66.00	4	144		
Soho	65.32	5	159	Victor Yates Edwin Arrowsmith	Chenng Ching Isis
Washwood Heath	64.11	6	186	Florence Hammond George Canning	George Canning Milan Asian Elders
Handsworth	60.81	7	253		
Sparkhill	56.66	8	343		
Ladywood	56.61	9	346	Richard Lawn	Evergreen
Shard End	56.36	10	354	Briars Croft	Briars Croft
Birmingham average	41.59				

Least deprived ward 8.18 39 7033

Source: DETR Indices of Deprivation, 2000

The measure of income deprivation largely reflects that of multiple deprivation; the measure reflects all those people claiming means tested benefits including income support and family credit.

Table 6.11: **Income Deprivation: Ten most deprived wards in Birmingham**

Ward	Ward score	Birmingham ranking	National ranking
Sparkbrook	63.17	1	10
Aston	65.52	2	12
Nechells	57.30	3	54
Small Heath	56.95	4	56
Washwood Heath	55.78	5	72
Soho	53.76	6	91
Handsworth	51.63	7	133
Sparkhill	47.85	8	212
Kingstanding	45.25	9	278
Shard End	42.21	10	404
Least deprived ward	11.17	39	5535

Source: DETR Indices of Deprivation, 2000

Residential location

Information on where Birmingham's care staff live was obtained through the survey. Staff often live in close proximity to the residential home where they work. The survey showed that of the 283 respondents who provided their post code, almost half (47%) lived in nine key areas:

Table 6.12: **Residential location**

Post code	Wards
B14	Erdington, Kingstanding, Stockland Green, Sutton Vesey.
B18	Aston, Ladywood, Soho, Soho & Victoria
B29	Ladywood, Quinton, Harborne, Edgbaston
B31	Bartley Green, Bournville, Kings Norton, Ladywood, Longbridge, Northfield, Weoley
B32	Bartley Green, Harbourne, Ladywood, Quinton, Weoley
B33	Ladywood, Shard End, Hodge Hill, Sheldon Yardley
B34	Shard End, Castle Bromwich, Hodge Hill
B36	Shard End, Castle Bromwich, Hodge Hill, Kingstanding
B38	Ladywood, Edgbaston

Source: Staff survey by Centre for Public Services, 2000

The ward with the highest concentration of care responding to the survey and working for the City Council appears to be Ladywood, also one of the wards in Birmingham with the highest levels of unemployment (19.1%) and an ethnic minority population of 41.9%, much higher than the Birmingham average of 21.5%.

7. Social and economic impact of transfer

Employment impact of transfer and cost reductions

This section identifies the level of potential job loss, the likelihood of changes in terms and conditions for new staff and the impact of staff turnover. The transfer option presented by the City Council would have wider social and economic effects on particular parts of the city.

The existing inequalities in employment in Birmingham's labour market would be exacerbated by any transfer out of city council ownership and control.

Job losses

It is predicted that the proposed transfer of residential care services to a trust will result in the restructuring of staffing levels with a

*** 20% job reduction (280 jobs)**

*** 1,120 jobs transferred to a trust or independent contractor**

Much of the impact will be immediately felt in the immediate locality of the residential care homes, since most care workers and especially those on low pay, live very near to their workplaces.

Polarisation of the labour market will increase. The transfer of services out of city council control and the associated reduction in unit costs will immediately impact on some of the most deprived wards of the city.

Major changes to terms and conditions of employment

The potential combined impact of the proposals will affect some 1,400 staff. In addition to job loss, of the 1,120 jobs transferring to the independent sector at least 560 will be affected by changes to terms and conditions of employment and the remaining 560 will be new staff recruited on lower terms and conditions of employment.

Table 7.1: **Employment change**

	No of jobs affected	Estimated job loss	No of jobs transferred	*No of jobs affected by changes to terms and conditions
Residential and day care	1400	280	1,120	560 existing 560 new staff

* Over 5 year period based on 10% annual turnover rates for service. It assumes that there will be a change in the terms and conditions of transferred staff to meet the council's requirement to reduce unit costs by 32% by 2004.

Institutional racism

The City Council has already been accused of institutional racism by the Stephen Lawrence Inquiry Commission. Privatisation of care services would magnify this problem. Social services provides specialist care to elderly black and ethnic minority people and 36% of its residential care staff are from the black and ethnic minority community.

If the council goes ahead with its planned transfer of residential care services to a trust and unit cost reductions, then it could be accused of continuing with discriminatory policies, both in the treatment of its

staff who are represented across all grades and of elderly residents receiving specialist services from these staff.

Gender impact

Women in Birmingham already earn well below the national and regional average. Contracting out will exacerbate this problem with lower paid women taking the brunt of job losses and cuts in pay.

An analysis of the gender impact of job losses reveals a 87:13 male/female division (Birmingham City Council data) with women suffering 238 jobs losses compared to 42 for men. A very high proportion of the jobs are part-time. This is very similar to the employment impact of CCT in manual services which included a large proportion of female part-time jobs.

Limited protection

The vast bulk of staff in residential care are care assistants earning between £5-6 an hour, at least £1 an hour more than the private sector. New staff are not covered by TUPE. This research predicts that 50% of the 1,120 remaining staff will suffer reduced terms and conditions in the first five years of a new contract. The number will grow annually as a result of labour turnover. The gender structure of those affected by reduced pay and conditions is predicted to be a ratio of 90:10 female/male division as the bulk of the changes in terms and conditions will fall on female care assistants and domestics earning £5-6 an hour. These staff will be expected to accept a 20% reduction in pay as well as reduced shift allowances, fewer holidays, reduced sick pay arrangements etc.

Social exclusion and Birmingham's labour market

"Deprivation in Birmingham is much deeper and widespread than in most parts of the country." The 1998 Index of Local Deprivation ranked Birmingham as the fifth most deprived district in England. The index combines twelve indicators including low income, health, environment, crime and housing. Ten of the city's wards are among the most deprived thirty wards in England and much of the deprivation is concentrated in the inner city (Birmingham Economic Information Centre, 2000).

Whilst unemployment is not as high among women as men in the city, women's gross annual earnings are only 60% of male earnings reflecting the industries, occupations and the skills gap between men and women. For example, the 1998 Birmingham Household Survey found women in employment were more likely than men to have no qualification or to have qualifications below NVQ3 equivalents.

Many without work in Birmingham are prepared to work for low wages; the Inner City Survey found that 55% of respondents who wanted to return to work would accept less than £4.50 per hour wages.

The regional picture is also important; West Midlands Low Pay Unit has highlighted some of the key characteristics of employment in the region which need to be taken into account when assessing the longer term impact of transfers (Appendix 2).

Wider impact on the council

The combination of all the above proposals will have a substantial impact on remaining council services. Although it is not possible to identify the exact number of staff corporately who would be affected by a new block contract with the independent sector, it is safe to say that the level of impact will affect other unit costs, economies of scale and competitive capacity, and in the longer term, the viability of provision of some services. It is likely to result in some reorganisation and restructuring which have their own costs and associated job losses.

Corporate impact

The city council should continually assesses the corporate impact of all outsourcing and privatisation proposals to ensure that the full impact is identified. Currently, though the Stephen Lawrence Commission advocated greater 'openness', the Council is not prepared to share its own evidence with the public it seeks to represent.

The impact on the local economy

The loss of city council jobs will have a knock-on effect on jobs in the local economy, particularly in private services such as retailing and related services. Research has identified multipliers between 1.15 - 1.35 depending on the ratio of full/part time jobs and wage levels in the particular sectors concerned (Centre for Public Services 1987, 1993, 1995). In this instance, a multiplier of 1.15 is used because of the high proportion of part-time jobs (EOC, 1995). In other words, for every 6.5 jobs lost in the city council 1 additional job is lost in private services in the local economy because of reduced spending power.

This research predicts that the loss of 280 council jobs will lead to the loss of an additional 43 jobs in the Birmingham economy, primarily in private services.

But the loss of spending power is not limited to the loss of jobs. More important in this sector will be reduced pay and conditions for new staff employed on outsourced work also impacts on the local economy. A 32% reduction in unit costs, affecting the income of 1,120 staff will have a similar impact as the loss of 280 council jobs

The public cost of job losses

The Equal Opportunities Commission study on the gender impact of CCT in local government provided detailed evidence of the public cost of contracting out (Centre for Public Services, 1995). It calculated the cost of benefits and their administration, employment measures and local authority measures to mitigate unemployment to be £7,083 per unemployed claimant at 1993/94 prices. This was expressed as £3,273 per public sector job loss in 1993/94.

There have been a number of changes since the mid 1990s such as changes in tax rates, inflation, the introduction of new benefits, employment and training measures. It has not been possible, within the terms of this study, to recalculate the public costs. However, if the differences between the studies and the changes in circumstances between 1993/4 and 1999/2000 are considered to cancel each other out (Outsourcing the Future, Centre for Public Services, 2000), the public cost of job loss from the transfer proposals contained in this report is estimated to be almost £1m per annum (£3,273 x 280), though this would be higher if other benefits for staff who suffer from lower pay and conditions were taken into account.

The cost of job creation

Some of the job losses may be compensated by newly created jobs. However, the audit reveals that the number of jobs must exceed 280+43 before they can be classified as 'new' or 'additional'. The cost of replacing these jobs will be substantial. The average cost per job in English Partnership regeneration projects was £23,000 and the agency's estimates of the number of jobs created were four times greater than those actually created (House of Commons, 2000).

Equality impact

This study has shown that transfer of care sector jobs from the City Council to the independent sector will result in

- * **discrimination and widening inequalities;**
- * **fewer employment opportunities for ethnic minority workers;**

- * **fewer training opportunities;**
- * **reduction delay in implementing valuing diversity and family friendly policies.**
- * **ethnic minority impact** Major privatisation will increase inequality among Birmingham's ethnic minority community. The ethnic minority unemployment rate in Birmingham is already much higher than for white people. Transfer out of the local authority will halt progress on the implementation of policies to improve the position of ethnic minority groups in the labour market and worsen their representation further.

Health impact

The social and economic impact of a transfer on this scale will also have a health dimension. This could include the following:

- **health impact of unemployment**
- **health impact of reduced pay and reduced conditions of employment**
- **increased stress at work**
- **increased insecurity for transferred staff**

Impact on deprived wards

Birmingham includes some of the poorest communities in Britain and includes wards ranked as the most economically deprived in the country. The security of jobs, wage levels which take people out of the benefits trap, training provision, conditions of service and family friendly policies are important ingredients in reducing social exclusion. Privatisation will result in the most deprived neighbourhoods suffering both as a result of job losses and reduced income.

Dependency on benefits: Overall 24% of Birmingham's population of working age are dependent on state benefits, a much higher average than for the UK or the West Midlands region. This rate is even higher in some inner city wards, over 40% in Sparkbrook and Aston. Income support is the key form of welfare payment.

Unemployment by ward: 35 out of Birmingham's 39 wards have an unemployment rate greater than the national average. Rates of over 20% are found in Aston, Nechells, Sparkbrook.

Black and other ethnic minority groups: Over 20% of Birmingham's population are from black and ethnic minority groups. They are concentrated in the inner city and particularly in the most deprived wards (Table 6.13).

Such wards will be particularly hard hit by the transfer for the following reasons:

- * Inner city wards have a high level of dependency on the provision and quality of council services.
- * Job losses and reduced pay levels in both the city council and the local economy will increase unemployment in inner city wards, especially those with high concentrations of black and ethnic minority residents.
- * Reduced earnings for new staff employed on lower terms and conditions of employment will negatively affect the spending power in these areas.
- * Regeneration areas and initiatives require strong and effective public sector provision in order to have a substantive effect in increasing social inclusion.

Table 6.13: **Black and ethnic minority population by ward**

Ward	Black and ethnic minority population
ndsworth	69%
Soho	67%
Sparkhill	62%
Small Heath	60%
Sandwell	57%
Aston	55%
Nechells	49%

Ladywood	42%
Washwood	38%
Edgbaston	24%
Moseley	25%

Source: Birmingham Economic Information Centre

Reducing social, economic and environmental well-being

The transfer of council jobs and the knock-on job losses in the local economy will cause further decline and social exclusion. Local authorities have new powers (Local Government Act 2000) to develop community strategies to improve the social, economic and environmental well-being of their area. The city council is required to produce a community plan to demonstrate how it will put such objectives into practice. However, transfers are not compatible with improving community well-being. The transfer of care services will undermine the community strategy for social, economic and environmental well-being. The community strategy will be required to combat the negative affect of other city council policies, let alone make a contribution to reducing poverty in the city.for the following reasons:

- * Public resources which may be saved within the city council are likely to be spent in combating the social and economic consequences caused by the city council's outsourcing and transfer policies.
- * By transferring provision to independent providers, the city council is in danger of weakening its power and capacity to improve the well-being of the community.
- * Rather than making services more accountable to communities, transfers will reduce accountability, being limited to contracts and specifications.

Impact on local labour market

Outsourcing and transfers will impact on the local labour market in the following ways:

Quality of employment: Privatisation of care services and cuts in unit costs will systematically reduce the level and quality of employment in the city. An added problem for Birmingham is that there are already local labour market inequalities as clearly illustrated in the Indices of Deprivation (2000). Lower terms and conditions of employment will lead to difficulties in fulfilling contracts and delivering the service.

Major local employer: The City Council is Birmingham's largest local employer. Transfer of council employees to a trust or private company will represent the loss of stable, local employment where the council has a key role in setting local employment standards.

Fewer job opportunities: Major job losses from the local authority will mean fewer opportunities for the unemployed and those currently on training schemes. The council has traditionally played a significant role in the local economy; privatisation will weaken the council's influence.

Impact on low paid: The social consequences of new patterns of employment on family life, for example, the impact of a 24 hour service on shift patterns and increased flexibility expected of part-time employees.

Reduced training opportunities: Transfer of work to the independent sector would result in fewer training opportunities because independent care organisations have fewer and less comprehensive training schemes than the city council.

Fewer vacancies: job losses will result in fewer vacancies and therefore reduced opportunities for the unemployed and those on training schemes.

Lower employment standards: the erosion of the city council's role in setting quality employment standards, particularly in the care and domestic sectors there is a substantive difference between public

and private sector wage rates and conditions of service;

Two-tier workforce: with companies having a wide range of pay scales which are then used to divide the workforce into different interest groups.

Health and safety at risk: reduced application of health and safety standards.

Casualisation: transient staff and high labour turnover of the workforce;

Trade union organisation weakened: a reduction in the level of trade union organisation and representation with more fragmented industrial relations.

Less community participation: Privatisation requires the extension of client and contractor functions making participatory democracy more complex and difficult.

8. Financial proposals

Long term funding and investment is a crucial issue for all residential care facilities in this country. Council run facilities have suffered from under-investment in repairs and maintenance.

The key motivation for change in how residential services are run in Birmingham is financial. Closing the financial gap is clearly a priority for elected members, but this strategy must be clearly understood in terms of meeting community needs and broader requirements of achieving high quality services under Best Value. Many of these issues were highlighted in the RAGE reports on options (June and November 2000).

The key thrust of the policy is clearly to spend much less on staffing care homes and proportionately more on updating buildings. This works directly against the wishes of residents, families, staff and the community in Birmingham.

Potential for challenge

The proposed reduction in unit costs contravenes the Choice of Accommodation Directions. The directions mean that an authority should not set an arbitrary ceiling on the amount they are willing to contribute towards residential care and require third parties to routinely make up the difference. *“If challenged, an authority would need to be able to demonstrate that its usual cost was sufficient to allow it to provide people with the level of service they could reasonably expect if the possibility of third party contributions did not exist”* (Community Care and the Law, Luke Clements)

Capital investment

The report on repairs and maintenance costs prepared by Savills for the city council predicted that a total of £44m will need to be spent over the next 30 years. This included initial major refurbishment unless already undertaken, followed by repairs and maintenance between years 1-20 and a lesser refurbishment between years 21-30. HACASChapman Hendy predict that these costs will amount to £80m over 30 years; it is unclear how this inflated figure has been arrived at.

The following breakdown is important in order to look at the scale of refurbishment on an annual basis:

Years 1-5	£3.6m
Years 6-10	£3.4m
Years 11-15	£5.4m
Years 16-20	£6.1m
Years 21-25	£17.6m
Years 26-30	£7.1m
Total	£43.9m

We would suggest that this is a manageable scale of investment which could be funded by the city council working in partnership with a range of local partnership organisations including the Health Authority and Primary Care Trusts. It could also include new in-house initiatives as suggested by the background material provided to the city council by Cordis Bright (June 2001).

Consultants estimate that up to £80m will be needed to deliver service improvements across Birmingham's care homes for the elderly over the next 30 years.

Potential sources of income for capital investment

Local authorities have four main sources for financing capital expenditure:

- * Borrowing and credit arrangements, on the strength of credit approvals issued by central government.
- * Central government capital grants.
- * Spending of capital receipts.
- * Spending from revenue.

Under current arrangements, the main sources for capital investment in Birmingham's community care services could be public sector borrowing, spending of capital receipts and funding from external sources. However, the Government is also planning changes to local government financial arrangements.

1. Freedom to borrow

The Government's Green Paper on Modernising Local Government Finance (2000) is to reduce the constraints on local authority borrowing within the next year. This would allow the City Council much greater flexibility about how improvements are financed. The new rules are likely to abolish the need for Government permission and councils will be free to borrow, assuming that the borrowing is affordable.

2. Sale of council assets / property

The City Council should investigate potential sources of income from asset sales which could be used as part of a five to ten year investment programme in community care services. Many authorities have funded capital for service developments from such land/property sales.

3. External sources of investment

Local authorities in many areas have successfully secured partnership or external funding. It is recommended that Birmingham City Council immediately develops a programme of initiatives to attract funding from work in partnership with the Health Service, external funding and bids for additional projects.

Revenue spending

The service has been underfunded for many years resulting in cuts in staffing and the repairs programme. Overspending by the Social Services Department largely reflects increasing demand including the cost of "winter pressures" and increases in residential home placements.

Managers state that the current net cost of running the service to the City Council should be reduced by £7.5m by 2004.

Reducing revenue costs further would reduce the quality of service as shown in previous reports commissioned by RAGE, since many of the care homes are already run on minimum funding levels.

We would recommend a detailed review of costs and predicted changes over the next five years including running costs, repair and maintenance costs, management and administration, central administration and employee costs.

Financial support may need to increase

Rather than addressing financial overspending, the council could be embarking on a strategy which increases spending over the coming five years. This is especially true in Birmingham where residential care is in high demand.

HACASChapman Hendy (April 2001) conclude that financial support from the council will continue whatever option is chosen. *"It will be necessary for the council to "underwrite" the transfer's viability. We have assumed that the Council will be willing to enter into a block purchasing agreement for the continued supply of care services in the homes transferred"*.

It assumes that payments under this contract will need to reflect the costs of the capital investment programme, financing and operating costs of the transfer. It also states that the council is prepared to consider an uplifted rate for an agreed period following transfer, to soften the economic impact of TUPE and **to give the transfer time to initiate a programme of staffing costs reduction.**

“The term of such a contract will be a critical issue for funders and ideally it needs to be for as long as possible and should reflect the term of funding (20-25 years) . The contract will also need to recognise annual increments in charges, at least in line with inflation” (HACAS, 2001).

“Our evaluation confirms that it is possible to make the transfer financially viable if the Council is prepared to underwrite viability with an agreement to block purchase care services.”

The consultants also point to the high risks of securing private sector funding. Few banks are willing to finance independent care developments and the cost of funding has risen significantly.

Unit costs in elderly people’s homes

The unit cost for 2000 was £463 per week, made up of £21 capital financing, £36 supplies, £31 premises and £375 employees. Employees costs amount to 81% of the overall service, reflecting the high labour intensity of care provision and the importance of staff.

However, it is precisely this area which the council wishes to cut as a priority.

The independent care sector is demanding increases in what is paid to them by the city council. The Council controls 80% of all private sector care home fees.

There is a clear danger that misdirected financial planning will lead to privatisation of care services, reduced quality for the elderly and vulnerable in Birmingham and a more expensive service with the public sector subsidising the problems created in the independent care sector.

9. The future quality of care

The link between the quality of staff and quality of care is crucial in planning for service improvement over the coming decade. Birmingham City Council is working directly against the Government's aim to improve local services and faces a crisis which could result in a more expensive and poorer quality service.

The city already faces a crisis as demand for residential care services soar. The quality of care is already on the decline as savings are squeezed from cuts in funding.

Bed blocking

Birmingham City Council is already facing a crisis of care for the elderly in the city. The level of bed blocking has increased enormously with discharges from local hospitals delayed because of limited social services funding of residential care.

The Health Authority has estimated that about 10% of its beds were filled by older people who would be healthier and happier in residential care or with support at home (Guardian, June 2001). Pressure on beds has started to affect accident and emergency departments. The authority also acknowledged that older people staying longer than necessary in hospital were liable to pick up infections. Distress was also being caused to patients who wanted to go home to die, but could not be discharged due to lack of social services support.

This has resulted in crisis management with an emergency package of £6.9m, funded primarily by the council, agreed to fund placements of older people in nursing and residential homes. As a result £3m worth of neighbourhood renewal initiatives are being cut; precisely those initiatives aimed at tackling social exclusion in the city.

"Understaffed, under-resourced and under-paid, social work's frontline has reached breaking point. The tragedy is that, unless something changes rapidly, so will many more of our communities". (Community Care, 5-11 July 2001).

Report of the King's Fund Care and Support Inquiry

The report of the inquiry "Future Imperfect?" has warned that the crisis in care services threatens the Government's plans for expanding the NHS and states that social services departments need an additional £700m extra each year to avoid a collapse.

The core themes of the report were:

- * Cost and quality
- * Skills and values of staff
- * Staffing recruitment and retention
- * Regulation and training
- * Management development

The key conclusions of relevance to this report are that:

- * Services that are culturally responsive to the diversity of needs of people in black and ethnic minority communities are poorly developed.
- * User involvement and empowerment are words in frequent use, but often with little consideration of what they mean in practice.
- * Care staff provide a highly valued and essential service for millions of people, and the commitment and dedication of many staff cannot be faulted.
- * Major expenditure constraints that have forced local authorities to systematically drive down costs are now biting into the quality of services than can be provided.
- * The vital contribution of continuous development of staff and recognition of the value of experience.

The inquiry stated that Best Value is placing a disproportionate emphasis on driving down costs at the price of quality.

Commissioning should place greater emphasis on the development of high quality, creative and responsive services. Local authorities are given the responsibility of working with providers to raise the skills and standards of all care staff.

“Recruitment and retention of staff in care and support services is a major and growing challenge that demands imaginative and creative solutions to avoid a crisis. Improved pay and conditions must be at the heart of the solution, while other ways of raising the status of care workers are also crucial”.

“Major expenditure constraints that have forced local authorities to systematically drive down costs are now biting into the quality of services that can be provided.”

“We recognise the vital contribution of continuous development of staff and recognition of the value of experience”.

Staff retention

Staff paid between £5-£6 an hour form the majority of carers currently working in the city’s residential care homes. If cuts are made in staff costs, many will leave forced to work for a little more pay in supermarkets and other service industries, paying little more than the minimum wage.

Personal service vacancies which includes carers are already high in Birmingham and are predicted to grow over the next ten years as demand increases (Birmingham Economic Information Centre, Vacancy Trends, Spring 2000). There were nearly 3,000 advertised vacancies for carers in the twelve months up to March 2000.

Increasing casualisation

In spite of low pay, the city council employs a stable, committed and well trained workforce. Transfer and cost cutting would result in rapid casualisation and a transient care staff with high turnover, less experience and less training. The experience of existing staff would be lost. A recruitment crisis could also result.

Care staff are highly valued by residents and families. Their loyalty and commitment, their skills and experience are crucial to service provision. Continuity of care and staff training were highlighted as key to a best value service. The council is seeking to reduce even further the financial value attached to their work, threatening to cut the quality of care.

The survey of users clearly showed that the five elements related to staffing were considered to be of much greater priority than improvements in facilities and premises in the provision of a high quality service. Continuity of care from staff that residents know (93%), decent pay and conditions for staff (92%), trained staff (85%) and experienced staff (77%) were overwhelmingly considered to be of greater importance than better premises which only featured in 17% of the returns.

The council is working directly against the views of the families and residents.

10. Recommendations

1. Birmingham City Council should maintain ownership of its residential care facilities and continue to directly employ staff engaged in these services.
2. Users, community organisations, staff and other stakeholders should be centrally involved in drawing up sustainable improvement plans for the in-house service, based on the views gained through Best Value review and consultation exercise.
3. Future service planning should be in the context of user needs, integrated and co-ordinated provision and joint work with the Health Authority, Primary Care Trusts and other relevant organisations.
4. The City Council should develop innovative proposals for targeting and redirecting existing and future resources within a five to ten year planned improvement programme. Systems should also be developed to improve quality and user satisfaction. These should focus on the operational, management costs and potential options for re-directing resources.
6. The council should work with users, user organisations, the trade unions and staff on further development of a Best Value Action Plan for the in-house service. This should be conducted with the full involvement of the trade unions, users and the wider community in accordance with the Best Value requirements.
7. Alternative funding options and the impact of phased improvement work on the capital programme should be fully investigated. This should include alternative sources of funding such as the re-direction of council resources and use of capital receipts.
In addition, the council should explore funding options and external sources of finance. Councils will be freer to borrow for capital investment once European accounting conventions are adopted and planned changes are met to the regulations governing capital spending.
8. The council clearly needs additional funds to improve care services in the city. Additional revenue funding reflecting the quality of service and planned programme of service improvements should be sought.
9. The City Council should develop a phased programme of service improvements including investment in the facilities. This should be needs led and planned with the full involvement of relevant partners. Staffing issues should be a key part of the improvement plan.
10. Full recognition of the importance of in-house staff in the quality of services. This will require attaching a clear value to the work of existing staff, improved training, high quality and experience.

Appendices

Appendix 1

Table: Gender and ethnic minority breakdown of employees by residential care home

Residential Care Home	Number		% ethnic minority		Total
	Male	Female	Male	Female	
Annie Wood House	3	29	100	83	32
Barncroft	3	33	33	39	36
Briarscroft	6	25	33	81	31
Bushmere House	2	29	0	41	31
Clifton House	16	16	94	50	32
Druids Meadow	6	28	0	11	34
Edwin Arrowsmith	2	32	100	87	34
Elderfield	3	27	33	26	31
Florence Hammond	6	26	100	34	32
George Canning	3	31	0	39	34
Goodrest	2	28	0	7	30
Grange Road	4	26	50	85	30
Greenlands	5	20	0	5	25
Guestholme	3	30	66	23	33
Lyttleton House	4	20	0	15	24
Mimworth Grange	2	28	50	32	30
Normanhurst	4	29	50	34	33
Palmers Croft	4	26	50	27	30
Park Hill	1	20	100	60	21
Richard Lawn	5	32	40	68	37
Ruby Rhydderch	4	29	25	45	33
Tamworth House	0	6	-	100	6
The Heathway	1	23	0	13	24
The Oaklands	4	23	25	35	27
The Roundabout	2	27	0	30	29
Victor Yates	5	15	40	53	20
Wallace Lawlor	6	23	17	4	29
Weatherdale Unit	1	9	0	22	10
West Heath House	3	22	0	4	25
William Rathbone	2	20	50	45	22
Woodside	2	27	0	19	29

Source: Birmingham City Council.

Appendix 2

Regional employment issues

The West Midlands Low Pay Unit, People, Employment and Earnings in the West Midlands highlighted the following trends which should be taken into account in any impact assessment of potential transfer and reductions in unit costs.

- * Whilst unemployment in the region has been falling, there are significant inequalities in employment opportunities.
- * Levels of economic activity are lower in the region than the rest of the UK, reflecting higher levels of disadvantage.
- * Unemployment tends to be higher than the national average, especially at times of economic downturn.
- * Men in the region tend to experience longer spells of unemployment than nationally.
- * There are significantly higher levels of unemployment among ethnic minority groups in the UK and this is reflected in Birmingham.
- * Youth unemployment is a bigger problem in the region than nationally.
- * The region continues to depend on manufacturing, though there have been big increases in service employment.
- * Nearly one in five part-time workers in the region do not receive any paid holidays.
- * Job insecurity continues to be a problem in the labour market, with knock-on effects on spending power, health and education, and social exclusion.
- * There are wide variations and inequalities in average earnings for different types and groups of employees with a 50% gap in average earnings between manual and non-manual employees.
- * Women in the region are twice as likely to be low paid as men. Over 50% of women employees earn less than £4.50 an hour.
- * Half of all part-time workers in the region earn less than £4.50 an hour.

Source: West Midlands Low Pay Unit, People, Employment and Earnings in the West Midlands, 2000

Appendix 3

Table: Survey respondents place of work

Residential Care Home	Number of respondents
Annie Wood House	10
Barncroft	11
Briarscroft	25
Bushmere House	20
Clifton House	3
Druids Meadow	15
Edwin Arrowsmith	
Elderfield	
Florence Hammond	27
George Canning	15
Goodrest	
Grange Road	21
Greenlands	9
Guestholme	9
Lyttleton House	14
Mimworth Grange	
Normanhurst	
Palmers Croft	6
Park Hill	
Richard Lawn	1
Ruby Rhydderch	23
Tamworth House	
The Heathway	7
The Oaklands	17
The Roundabout	
Victor Yates	17
Wallace Lawlor	17
Weatherdale Unit	2
West Heath House	19
William Rathbone	16
Woodside	14
Milan Day Centre	1
Chinese Day Centre	3
Bequest Hall Day Centre	1
Calabash Day Centre	1
Park Hill Day Centre	7
Maypole Grove Day Centre	1
Total	332

Source: Birmingham City Council.

Appendix 4

Table: Where survey respondents live

Postcode	Number of respondents
B2	1
B6	4
B8	3
B9	4
B10	1
B12	4
B13	3
B14	23
B15	2
B16	2
B17	5
B18	12
B20	8
B21	5
B23	8
B24	3
B25	6
B26	6
B27	9
B28	7
B29	17
B30	2
B31	21
B32	17
B33	15
B34	11
B35	3
B36	11
B37	7
B38	16
B42	2
B43	3
B44	8
B45	7
B47	1
B57	1
B62	3
B65	1
B67	4
B73	1
B74	3
B75	7
B76	1
B79	1
B83	1
B90	1
B95	2
Total	283

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